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15 UNITED STATES DISTRICT COURT
16 CENTRAL DISTRICT OF CALIFORNIA

17 COLUMBIA PICTURES
18 INDUSTRIES, INC., *et. al.*

CV-06-05578 SVW (JCx)

19 Plaintiffs,
20 v.

21 GARY FUNG, *et. al.*

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**PLAINTIFFS' BRIEF IN
RESPONSE TO THE COURT'S
SEPTEMBER 30, 2013 ORDER
CONCERNING THE PROPER
JURY INSTRUCTION TO BE
GIVEN ON STATUTORY
DAMAGES**

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INTRODUCTION

During the hearing in this case on September 30, 2013, this Court ordered the parties to submit simultaneous briefs on the proper instruction to be given to the jury on the calculation of statutory damages. The Court observed that neither the Copyright Act nor the Ninth Circuit's model jury instructions provides detailed guidance to the jury beyond the direction to award an amount within the statutorily-defined range that the trier of fact "considers just." 17 U.S.C. § 504(c)(1). The Court thus ordered the parties to consider whether the Court should provide additional guidance, and to propose a jury instruction as appropriate to address: (1) what the proper instruction should be regarding Defendants' willfulness, which the Court has already found as a matter of law, and (2) what significance, if any, the jury should be instructed to assign to evidence regarding Plaintiffs' actual damages from Defendants' infringing conduct. This brief responds to the Court's Order.

As explained in greater detail below, the Court can provide adequate guidance to the jury by instructing it to consider the facts and evidence – including those facts already found in this case, which the Court should read to the jury – in light of the purposes of statutory damages. As the Court is aware, some courts have identified factors that juries may consider, in appropriate cases, in calculating awards of statutory damages. Most important of these considerations – consistent with the policy goals of statutory damages – are the culpability of the defendant and the need to deter the defendant and other potential infringers. The jury can thus be instructed to consider the fact that Defendants' conduct was willful, including the specific facts on which the Court relied in so concluding; the need to deter these Defendants and, importantly, other potential infringers; the circumstances and scale of the infringement; the litigation conduct of the parties; the nature of the copyrights; and the expenses saved and profits earned by Defendants.

Plaintiffs do not believe the Court should permit the jury to consider the extent of Plaintiffs' actual damages. This is so because Plaintiffs' actual damages

1 are generally irrelevant to the jury's calculation of an appropriate award of statutory
 2 damages – and particularly so where, as here, Defendants have been adjudicated to
 3 be *willful* infringers, and Plaintiffs have disclaimed any attempt to quantify their
 4 economic loss. In such circumstances, statutory damages serve a discrete punitive
 5 and deterrent purpose to which actual damages are inapposite.

6 Indeed, Defendants' approach to this case amply illustrates the problem of
 7 allowing consideration of actual damages in a statutory damages case. Defendants
 8 contend that, to challenge the extent of Plaintiffs' actual damages, they must be
 9 allowed sweeping and intrusive discovery into Plaintiffs' business affairs, including
 10 exploration of vast amounts of highly sensitive and confidential information
 11 concerning the books, records and commercial practices of each Plaintiff pertaining
 12 to each of the thousands of works in suit. Defendants also contend that such
 13 discovery must be followed by complex expert analyses, ensuring that this case will
 14 drag on for many more months, costing hundreds of thousands more dollars, and
 15 needlessly complicating what should otherwise be a straightforward statutory
 16 damages trial.

17 But to what end? For all of their insistence on such disruptive, burdensome
 18 and highly-invasive discovery, Defendants do not explain – because they cannot –
 19 how such discovery and expert analyses, even if undertaken to the extremes that
 20 Defendants propose, could ever meaningfully quantify the true extent of the actual
 21 economic damage their mass infringement has caused the Plaintiffs. As this Court
 22 has already found, Defendants built an engine of online infringement with a user-
 23 base that numbers in the millions, and willfully encouraged incalculable
 24 infringements of Plaintiffs' copyrights on a global basis for more than a decade.
 25 Invasive discovery into Plaintiffs' business affairs – such as the revenues generated
 26 by each of the works in suit – will not resolve the extent of Plaintiffs' actual injury
 27 from Defendants' infringing conduct, and will serve only to harass Plaintiffs and
 28 needlessly complicate this case. Congress recognized that calculation of actual

1 damages is often a difficult, costly, and ultimately speculative endeavor, and created
 2 the statutory damages regime precisely to eliminate the need for such a process.

3 Accordingly, Defendants should be precluded from introducing evidence or
 4 argument on Plaintiffs' actual damages as a basis for lowering the statutory damages
 5 award, and the jury should be instructed to disregard any such evidence or
 6 argument. To allow otherwise would turn this (and every other) statutory damages
 7 case into a complex, expensive, enormously burdensome and ultimately pointless
 8 dispute over the extent of Plaintiffs' actual damages – the very scenario that
 9 Congress sought to avoid in the first place by allowing copyright owners to elect
 10 statutory damages in lieu of actual damages.

11 Finally, as for Defendants' willfulness, the Court should instruct the jury to
 12 consider only the Court's prior findings of fact – each of which should be read to the
 13 jury – and preclude Defendants from arguing anything further on these settled
 14 issues.

15 Attached hereto as Exhibit 1 is proposed text of jury instructions reflecting
 16 the foregoing points, which Plaintiffs respectfully submit for the Court's
 17 consideration.¹

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 22 ¹ The jury instructions that Plaintiffs propose in Exhibit 1 concern only statutory
 23 damages and the issues related thereto that the Court identified in the September 30
 24 hearing. Plaintiffs intend to offer more complete proposed jury instructions on the
 25 schedule contemplated by Your Honor's Rule 13(c). Moreover, because the
 26 ultimate jury instructions on the question of statutory damages may depend on the
 27 Court's rulings on several pending motions, Plaintiffs expect that they may need to
 modify these proposed instructions in light of the Court's forthcoming rulings on the
 pending motions.

DISCUSSION

I. The Jury Should Be Instructed To Consider Defendants' Infringing Conduct In Light Of The Purposes Of Statutory Damages.

“Statutory damages serve the dual purposes of compensation and deterrence: they compensate the plaintiff for the infringement of its copyright; and they deter future infringements by punishing the defendant for its actions.” *Broadcast Music, Inc. v. Spring Mountain Area Bavarian Resort, Ltd.*, 555 F. Supp.2d 537, 544 (E.D. Pa. 2008) (quotation marks omitted). *See also, e.g., F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952) (“The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct”). Importantly, statutory damages also serve the purpose of easing the copyright owner’s burden in presenting its damages case. *See, e.g., Register of Copyrights, Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law*, 87th Cong., 1st Sess. 102-03 (House Judiciary Comm. Print 1961) (“Report of the Register of Copyrights”) (“The value of a copyright is, by its nature, difficult to establish, and the loss caused by an infringement is equally hard to determine. As a result, actual damages are often conjectural, and may be impossible or prohibitively expensive to prove.”).

One leading model jury instruction sums up these general purposes – and would have the Court so instruct the jury – as follows:

A copyright owner may elect to recover statutory damages for each infringed work that was timely registered. Within certain limits that I will describe below, the statute gives you broad discretion to determine the amount of statutory damages that you find to be just in light of the evidence presented. In deciding what amount is just, you should take into consideration the purposes and factors that I will describe to you.

The general purposes of statutory damages include the following:

1. Relieving copyright owners of the often difficult burden of
2 proving their actual damages and the defendant's profits;
3. Providing adequate compensation to the copyright owner and
4 disgorgement of the infringer's benefits from infringement;
5. Deterring the infringer and others similarly situated from future
6 infringement; and
7. Where appropriate, punishing the infringer.

8 Thus, statutory damages are available without proof of plaintiff's actual
9 damages, defendant's profits, or other direct economic effects of the
10 infringement.

ABA Model Jury Instructions: Copyright, Trademark and Trade Dress Litigation
§1.7.4 (2008).

Consistent with these purposes, courts have also identified a variety of
additional factors for juries to consider in calculating statutory damages awards,
depending on the facts of each case, such as:

(1) the expenses saved and the profits reaped; (2) the revenues lost by
the plaintiff; (3) the value of the copyright; (4) the deterrent effect on
others besides the defendant; (5) whether the defendant's conduct was
innocent or willful; (6) whether a defendant has cooperated in
providing particular records from which to assess the value of the
infringing material produced; and (7) the potential for discouraging the
defendant.

Apple, Inc. v. Psystar Corp., 673 F.Supp.2d 926, 928 (N.D. Cal. 2009).

However, “[i]n weighing these factors, most courts that have pondered the issue do not attach great weight to profits gained or to income lost, because these amounts are difficult to monetize, and may be marginal at best.” *Original Appalachian Artworks, Inc. v. J.F. Reicher, Inc.*, 658 F.Supp. 458, 465 (E.D. Pa. 1987) (citation omitted). Accordingly, “[c]ourts have focused largely on the element of intent, and the per infringement award tends understandably to escalate, in direct proportion to the blameworthiness of the infringing conduct.” *Yash Raj*

Films (USA) Inc. v. Rannade Corp., No. 01 CV 5779(JCL), 2007 WL 1456193, at *11 (D.N.J. May 17, 2007) (ellipses and quotation marks omitted).

With these considerations in mind, the Court can instruct the jury in this case to consider: (1) the fact that Defendants' conduct was willful, including the specific facts on which the Court relied in so concluding;² (2) the circumstances and scale of the infringement; (3) the need to deter these Defendants; (4) the need to deter other potential infringers; (5) the nature of the copyright; (6) the litigation conduct of the parties; and (7) the expenses saved and profits earned by Defendants. These factors are consistent with the overall purposes of statutory damages, especially in the case of willful infringement, and place the primary focus where it properly should be – on Defendants' conduct. *Broadcast Music, Inc.* 555 F. Supp. 2d at 544 (“In determining the just amount of statutory damages, the defendant’s conduct is the most important factor”) (brackets and quotation marks omitted).³

² It is perfectly appropriate for the Court to read to the jury its prior findings of fact that bear on the jury’s consideration of a proper damages award. *See Law v. Nat'l Collegiate Athletic Ass'n*, 185 F.R.D. 324, 331-32 (D. Kan. 1999) (in trial on damages, proper to instruct jury regarding “the history of the case and the issues which had been resolved”); *cf.* 3 Kevin F. O’Malley, Jay E. Grenig, and Hon. William C. Lee, *Federal Jury Practice & Instructions* § 101.22 (“Remand on Issue of Damages Only”) (6th ed. 2011) (model instruction with provisions for court recitation of specific findings from prior phase of the litigation, adapted from an approved instruction in *Children’s Broadcasting Corp. v. Walt Disney Co.*, 357 F.3d 860, 867-68 n.3 (8th Cir. 2004)).

³ This list is also consistent with the leading model jury instructions on copyright damages. *See ABA Model Jury Instructions: Copyright, Trademark and Trade Dress Litigation* (2008) § 1.7.8 (model jury instruction providing similar list of “some of the factors that may help guide your assessment of an appropriate award”); 3B O’Malley, Grenig & Lee, *Federal Jury Practice and Instructions* §160.92 (5th ed. 2001) (“In determining the just amount of statutory damages, you may consider the willfulness of the *defendant’s* conduct, the *defendant’s* innocence, the *defendant’s* continuation of infringement after notice or knowledge of the copyright or in reckless disregard of the copyright, effect of the *defendant’s* prior or

(*continue...*)

1 **II. The Jury Should Not Be Instructed To Consider Plaintiffs' Actual**
 2 **Damages.**

3 Section 504(c) of the Copyright Act allows a plaintiff to elect to recover
 4 statutory damages “instead of actual damages and profits” 17 U.S.C.
 5 § 504(c)(1). Plaintiffs have made such an election here, and have expressly
 6 disclaimed any attempt -- or even an ability -- to quantify their actual economic loss.
 7 As a result, Plaintiffs’ “actual damages” should play no role in the jury’s calculation
 8 of statutory damages.

9 **A. Plaintiffs' Actual Damages Are Irrelevant To The Jury's**
 10 **Determination Of Statutory Damages.**

11 It is well-settled in the Ninth Circuit and elsewhere that a plaintiff is entitled
 12 to statutory damages “regardless of the adequacy of the evidence offered as to his
 13 actual damages and the amount of the defendant’s profits, and even if he has
 14 intentionally declined to offer such evidence, although it was available.” 4 Melville
 15 B. Nimmer & David Nimmer, Nimmer on Copyright § 14.04[A] at 14-66 (2012)
 16 (citing cases). *See also, e.g., F.W. Woolworth*, 344 U.S. at 233 (statutory damages
 17 are appropriate “[e]ven for uninjurious and unprofitable invasions of copyright”);
 18 *New Form, Inc. v. Tekila Films, Inc.*, 357 Fed. Appx. 10 (9th Cir. 2009) (“We have
 19 consistently held and stated that statutory damages are recoverable without regard to
 20 the existence or provability of actual damages”) (unpublished decision, citing Ninth
 21 Circuit cases). The extent of a plaintiff’s actual damages, therefore, has no bearing
 22 on the calculation of an award of statutory damages.

23 This is particularly so where, as here, the infringement at issue is willful. As
 24 the Ninth Circuit has held, “when infringement is willful, the statutory damages

25 *(continued from previous page)*

26 concurrent copyright infringement activity, and whether profit or gain was
 27 established.”) (emphasis added).

1 award may be designed to penalize the infringer and to deter future violations.”
 2 *Nintendo of Am., Inc. v. Dragon Pacific Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994)
 3 (quoting *Chi-Boy Music v. Charlie Club, Inc.* 930 F.2d 1224, 1228-29 (7th Cir.
 4 1991)) (quotation marks omitted); *see also* H.R. Rep. No. 106-216 (1999) (“Courts
 5 and juries must be able to render awards that deter others from infringing
 6 intellectual property rights. It is important that the cost of infringement substantially
 7 exceed the costs of compliance”). Because willfulness implicates a distinct
 8 deterrent purpose of statutory damages independent of actual damages, this Court
 9 was correct in its contemplation, during the September 30 hearing, that a *willful*
 10 infringer should not be able to rely on the absence of actual damages as a basis for
 11 minimizing its liability.⁴ *See Nintendo*, 40 F.3d at 1011 (observing that “statutory
 12 damages may serve completely different purposes than actual damages”).

13 Appellate courts have expressly rejected the notion, which Defendants
 14 advance here, that “statutory damages must bear some relation to actual damages,
 15 even in cases where the defendant’s infringement was also found to be willful.”
 16 Defs’ Opp. to Plfs’ Ex Parte App. For Protective Order, Dkt. # 648, at 9-10. The
 17 Ninth Circuit has held that “[t]here is no required nexus between actual and
 18 statutory damages under 17 U.S.C. § 504(c)” and rejected a proposed jury
 19 instruction to the contrary as “a misstatement of the law.” *New Form, Inc.*, 357 Fed.

20 ⁴ Transcript of Hearing, Sept. 30, 2013 (“Sept. 30 Hearing Tr.”) at 5:2-14 (“There
 21 are a few courts which have said that you can consider actual loss in considering the
 22 measure of statutory damages, but no case that I have found has said you must. And
 23 the question has to also be considered in terms of the fact that there is a finding of
 24 willfulness. Now, willfulness involves issues that don’t necessarily relate to loss. It
 25 is punitive. So to the extent that there is some authority that actual loss is relevant to
 26 statutory damages, I am wondering whether that would, to the extent that that is
 27 good authority, whether or not that would be equally applicable where there was
 28 willfulness.”); *id.* at 11:9-12 (“there isn’t persuasive authority” saying actual
 damages are an appropriate consideration).

1 Appx. at 11-12. Other Circuits concur, and none has held to the contrary. *See Sony*
 2 *BMG Music Ent'mt v. Tenenbaum*, 719 F.3d 67, 71-72 (1st Cir. 2013) (holding that
 3 “statutory damages are not to be measured” in relation to actual damages because
 4 they are “imposed as a punishment for the violation of a public law” and thus relate
 5 “to the public wrong rather than the private injury”) (quoting *St. Louis, I.M. &*
 6 *S. Ry. Co. v. Williams*, 251 U.S. 63, 66 (1919)); *Capitol Records, Inc. v. Thomas-*
 7 *Rasset*, 692 F.3d 899, 907-10 (8th Cir. 2012) (rejecting district court’s conclusion
 8 that “statutory damages must still bear *some* relation to actual damages”) (emphasis
 9 in original).⁵

10 Indeed, in one of its leading cases on the subject, the Ninth Circuit upheld an
 11 award of statutory damages against a willful infringer at the maximum allowable
 12 amount, despite the defendant’s complaint that the award amounted to a “windfall”
 13 because “the plaintiff has suffered only nominal damages.” *Peer Int’l Corp. v.*
 14 *Pausa Records, Inc.*, 909 F.2d 1332, 1336-37 (9th Cir. 1990).⁶ The court noted that
 15 the authority on which the defendant relied involved “nonwillful infringements,” *id.*
 16 at 1337, and reasoned that, given the willfulness of the infringements at issue, an
 17 award of the maximum statutory amount was justified, notwithstanding the

18 ⁵ At the September 30 hearing, the Court asked whether statutory damages should
 19 bear some relationship to actual damages in the way that punitive damages must
 20 bear some relationship to compensatory damages. Tr. at 34. Both the *Tenenbaum*
 21 and *Thomas-Rasset* courts examined this precise question and answered it in the
 22 negative. *See Tenenbaum*, 719 F.3d at 70-71 (rejecting application of the *BMW v.*
 23 *Gore* “guideposts” for punitive damages to statutory damages under the Copyright
 24 Act); *Thomas-Rasset*, 692 F.3d at 907 (“The Supreme Court never has held that the
 25 punitive damages guideposts are applicable in the context of statutory damages.”).
 26 *See also Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 586-88 (6th
 27 Cir. 2007) (same).

28 ⁶ *Peer Int’l* is among the leading cases on which the Ninth Circuit’s Model Jury
 29 Instructions on the issue of statutory damages in copyright are based. *See* Ninth
 30 Circuit Model Jury Instructions § 17.25 (comments).

1 “nominal” actual damages suffered by the plaintiff, “to sanction and vindicate the
 2 statutory policy” of discouraging infringement. *Id.* (quoting *Woolworth*, 344 U.S. at
 3 233).

4 Similarly, in *Columbia Pictures Television, Inc. v. Krypton Broadcasting of*
 5 *Birmingham*, 259 F.3d 1186 (9th Cir. 2001), the Ninth Circuit upheld a statutory
 6 damages award of \$72,000 per work infringed without regard to the plaintiff’s
 7 actual damages, simply on the ground that the defendant’s infringement was willful
 8 and the award was “well within the statutory range for willful infringement.” *Id.* at
 9 1194-95. The court noted that “[a] plaintiff may elect statutory damages regardless
 10 of the adequacy of the evidence offered as to his actual damages” and that, “[i]f
 11 statutory damages are elected, the court has wide discretion in determining the
 12 amount of statutory damages to be awarded, constrained only by the specified
 13 maxima and minima.” *Id.* at 1194 (quotations omitted).

14 Defendants rely on a smattering of unpublished district court cases within the
 15 Ninth Circuit for their contrary view. *See* Defs’ Opp. to Pltfs. Ex Parte App. For
 16 Protective Order at 9-10. Plaintiffs respectfully submit that these decisions are
 17 inconsistent with the foregoing Ninth Circuit precedent, which clearly rejects such a
 18 theory. As Professor Nimmer notes, *Peer Int’l* “explicitly rejected” the approach of
 19 other courts that would limit statutory damages awards to prevent “a windfall where,
 20 as a practical matter, the plaintiff has suffered only nominal damages.” Nimmer §
 21 14.04[B][1][a] at 14-70 n.44 (quoting *Doehrer v. Caldwell*, 207 U.S.P.Q. 391 (N.D.
 22 Ill. 1980)). *See also Kamar Intern. v. Russ Berrie & Co., Inc.*, 829 F.2d 783, 787
 23 (9th Cir. 1987) (statutory damages “need not reflect actual damages”).

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B. Allowing The Jury To Consider Actual Damages Would Undermine The Purposes Of Statutory Damages, And Could Effectively Turn Every Statutory Damages Case Into An Actual Damages Case.

4 One of the primary reasons for statutory damages is that “[t]he value of a
5 copyright is, by its nature, difficult to establish, and the loss caused by an
6 infringement is equally hard to determine. As a result, actual damages are often
7 conjectural, and may be impossible or prohibitively expensive to prove.” *Report of*
8 *the Register of Copyrights, supra* at 102-03. Congress thus gave copyright owners
9 the option to pursue statutory damages in part to avoid the difficulty and expense of
10 having to prove their actual damages, particularly in cases against willful infringers.
11 As one leading copyright commentator has explained: “Because actual damages are
12 so often difficult to prove, only the promise of a statutory award will induce
13 copyright owners to invest in and enforce their copyrights, and only the threat of a
14 statutory award will deter infringers by preventing their unjust enrichment.” 2 PAUL
15 GOLDSTEIN, COPYRIGHT 12.2, at 12:34 (2d ed. 1996). *See also* Doroshow Decl., Ex.
16 A (*CBS Broadcasting Inc. v. FilmOn.com, Inc.*, 10-Civ-7532 (NRB) (S.D.N.Y. July
17 21, 2011)) (“[G]iven [plaintiffs’] reliance on statutory damages, the information
18 sought by defendants relating to plaintiffs’ online distribution of their programming
19 is irrelevant”); *Arista Records LLC v. Lime Group LLC*, No.06 CV 5936(KMW),
20 2011 WL 1486640, at *2 (S.D.N.Y. April 11, 2011) (noting earlier ruling denying
21 defendants’ requests for documents sufficient to show plaintiffs’ earned profits and
22 accepting Plaintiffs’ argument that “allowing discovery into Plaintiffs’ profits and
23 costs would be contrary to the very reason that Congress created statutory
24 damages”) (quotation marks omitted); *Apple*, 673 F. Supp. 2d at 928 (plaintiff “is
25 not obliged to provide proof of its own profits when it has elected to seek statutory
26 damages”).

1 To allow consideration of actual damages here would undermine these
 2 purposes. With trial less than a month away, Defendants have propounded
 3 extensive discovery into a potentially limitless range of sensitive and confidential
 4 topics, each calling for thousands of documents from Plaintiffs' files, in addition to
 5 complex expert analyses and testimony regarding Plaintiffs' revenues for each of the
 6 thousands of work in suit, licensing agreements, the costs of policing for
 7 infringements, and other matters putatively related to Plaintiffs' actual damages.
 8

9 *See Sept. 30 Tr. at 35-39 (Defendants' counsel outlining how Defendants intend to*
 10 *prove the absence of actual damages). Just by way of example, Defendants seek*
 11 *such detailed and highly sensitive information as:*

- 12 • “Documents sufficient to identify [each Plaintiff’s] total annual profits related
 13 to each of the [works in suit], for each of the past ten (10) years.”
- 14 • “All documents evidencing, referring or relating to any and all valuations of
 15 [each Plaintiff] at any time during the past ten (10) years.”
- 16 • “All documents evidencing, referring or relating to any and all analyses of
 17 [each Plaintiff’s] actual or projected revenues, costs and profits for the past
 18 ten (10) years.”
- 19 • “All documents concerning [each Plaintiff’s] use of the internet to promote
 20 and/or exploit the [works in suit].”

21 Defendants’ Requests for Production of Documents to Plaintiffs, Set Three, Dkt. #
 22 632-2 (Exhibit 1 to Declaration of Gianni P. Servodidio in Support of Plaintiffs’
 23 Motions in Limine). The detailed and highly sensitive discovery and expert
 24 analyses that Defendants seek would take many months to conduct, and will likely
 25 cost \$1 million or more in legal and expert fees, to say nothing of the enormous
 26 disruption to Plaintiffs’ businesses that such discovery would involve. And, if
 27 Defendants were permitted to pursue such intrusive discovery and to argue that the
 28 extent of Plaintiffs’ actual damages should bear some relationship to the amount of

1 statutory damages, then Plaintiffs would be forced to conduct their own actual
 2 damages analyses in rebuttal. Such an “arms race” of discovery and expert analyses
 3 would defeat the whole point of statutory damages, as this case – and, indeed, any
 4 case involving statutory damages – would effectively become a complex dispute
 5 over *actual* damages.

6 More fundamentally, such an exercise would serve no ultimate purpose (other
 7 than Defendants’ purpose to complicate and delay this case), as no amount of
 8 discovery or analyses can meaningfully quantify the vast damage that Defendants
 9 have caused here. As this Court has already found, Defendants have caused
 10 Plaintiffs to suffer “continuing infringement on an enormous scale” through their
 11 willful conduct in ways that are incalculable:

12 For years, Defendants operated their websites as popular destinations
 13 for copyright infringement and etched their niche in the market for
 14 infringement. Defendants were enormously successful in building a
 15 user-base of infringers that, by Defendants’ own account, number in the
 16 millions.... As stated, the evidence of Defendants’ illegal objective
 17 was “overwhelming” and the resulting amount of infringement of
 18 Plaintiffs’ copyrights has been staggering.

19 Order Granting Plaintiffs’ Motion for Permanent Injunction, Dkt. # 426, at 4, 7
 20 (May 20, 2010) (quotations omitted). *See also id.* at 3 (observing that downloads
 21 from Defendants’ websites involve automatic and simultaneous distribution to
 22 “innumerable others as a required part of the download process,” that end-users
 23 obtain “an unprotected digital copy of Plaintiffs’ work that [they] can further
 24 distribute indefinitely at will,” and that “it is axiomatic that the availability of free
 25 infringing copies of Plaintiffs’ works through Defendants’ websites irreparably
 26 undermines the growing legitimate market for consumers to purchase access to the
 27 same works”). For example, if a Plaintiff earned a billion dollars in revenue from a
 28 blockbuster film, it would not mean that the Plaintiff was not still harmed by
 Defendants’ infringing conduct. Neither would Plaintiff’s commercial information

1 give any indication of the harm attributable to Defendants' infringing conduct, as
 2 opposed to online piracy more generally. In the end, the full nature and extent of the
 3 harm that Defendants have caused is impossible to know. As such, the discovery
 4 that Defendants seek cannot yield a meaningful measure of the true extent of
 5 Plaintiffs' actual damages here.

6 To permit consideration of actual damages under these circumstances would
 7 be perverse – and particularly unfair – given that Plaintiffs elected statutory
 8 damages precisely because their actual damages are not capable of meaningful
 9 measurement. Defendants should not be permitted to exploit the inherent difficulty
 10 of proving actual damages in a case such as this as a basis for lowering the statutory
 11 damages award, especially when the very purpose of statutory damages was to
 12 provide a remedy that is not dependent on proof of actual damages. *See, e.g.,*
 13 *Report of the Register of Copyrights, supra* at 102; *Lowry's Reports, Inc. v. Legg*
 14 *Mason, Inc.*, 302 F. Supp. 2d 455, 460 (D. Md. 2004) (“Statutory damages exist in
 15 part because of the difficulties in proving . . . actual harm in copyright infringement
 16 actions”); *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*,
 17 562 F.2d 1157, 1178 n.7 (9th Cir. 1977) (noting that an award of statutory damages
 18 “can only benefit, but not hurt, the aggrieved party”).

19 **C. Even If Actual Damages Were Appropriate To Consider In Other
 20 Statutory Damages Cases, The Court Should Exercise Its
 21 Discretion To Preclude Their Consideration Here.**

22 “The district court has wide discretion in determining the amount of statutory
 23 damages to be awarded, constrained only by the specified maxima and minima.”
 24 *Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 996 (9th Cir.
 25 1998) (quotation marks omitted). The trier of fact is “guided by ‘what is just in the
 26 particular case, considering the nature of the copyright, the circumstances of the
 27 infringement and the like.’” *Id.* (quoting *Peer Int'l*, 909 F.2d at 1336).

28

1 While some courts – in decisions containing scant analysis or reasoning –
 2 have allowed some consideration of “the revenues lost by the plaintiff as a result of
 3 the defendant’s conduct,” no court has ever held that the plaintiff’s lost revenue
 4 *must* be considered in calculating an award of statutory damages, a point that this
 5 Court correctly observed during the September 30 hearing. Sept. 30 Tr. at 5:2-5.
 6 To the contrary, as noted above, the Ninth Circuit has upheld substantial awards of
 7 statutory damages without regard to the plaintiff’s actual damages, simply because
 8 the defendant’s infringement was willful and the award was within the statutory
 9 range. *See supra* at 9-10.⁷

10 Moreover, Plaintiffs cannot identify a single statutory damages case in which
 11 the court has permitted anything close to the far-ranging, highly invasive discovery
 12 that Defendants seek here. Plaintiffs have already advised Defendants (in response
 13 to one of Defendants’ many discovery requests) that Plaintiffs have no documents
 14 reflecting the actual injury caused by these Defendants. For all the reasons stated,
 15 that fact has no place in a statutory damages case. But here, Defendants seek much
 16 more. Defendants effectively want to perform a full-scale audit of Plaintiffs’
 17 financial books and records, a comprehensive review of Plaintiffs’ licensing
 18 arrangements with legitimate providers, and have multiple expert witnesses purport
 19 to calculate the actual economic injury caused by Defendants for each of the
 20 thousands of works at issue. Thus, Defendants propose months of fact and expert
 21 discovery, hundreds of thousands of dollars (at the very least) in cost, and days on
 22 end of testimony to the jury. No court has ever allowed anything like what
 23 Defendants demand. To the contrary, when such sweeping discovery has been

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 25 ⁷ As Professor Nimmer observes, the standards that courts have identified “are
 26 largely precatory; as long as the district court acts within the prescribed statutory
 27 limits, its discretion will probably be upheld on appeal.” Nimmer § 14.04[B][1][a]
 at 14-70.

1 attempted in a statutory damages case, it has been rejected. *See* Doroshow Decl.,
 2 Ex. A (*CBS Broadcasting Inc. v. FilmOn.com, Inc.*, 10-Civ-7532 (NRB) (S.D.N.Y.
 3 July 21, 2011)) (agreeing with plaintiffs that, “given their reliance on statutory
 4 damages, the information sought by defendants relating to plaintiffs’ online
 5 distribution of their programming is irrelevant,” and denying discovery in light of
 6 “the competitively sensitive and business-intrusive nature of the requested
 7 documents”).

8 **III. The Jury Should Be Instructed To Consider Only The Court’s Prior
 9 Findings Of Fact Concerning Willfulness.**

10 During the September 30 hearing, this Court confirmed that its prior rulings
 11 on Defendants’ inducement liability had already established, as a matter of law, that
 12 Defendants are “willful” infringers with respect to all of the works in suit for
 13 purposes of the upcoming damages trial. *See* Sept. 30 Tr. at 3:12-21. In so doing,
 14 the Court also asked the parties to address whether, notwithstanding this finding of
 15 willfulness, Defendants should “be able to offer testimony on some of the
 16 underlying factual issues that may shape the degree of willfulness.” Sept. 30 Tr. at
 17 21:17-20. The answer to the Court’s question is “no,” as to allow such testimony
 18 would invite Defendants to attempt to argue facts that are inconsistent with the
 19 Court’s existing rulings. This would essentially result in re-litigation of this settled
 20 issue.

21 This Court has already concluded – and the Ninth Circuit has affirmed – that
 22 Defendants engaged in “*purposeful, culpable conduct* in inducing third party
 23 infringement” with the specific intent to cause copyright infringement, *Columbia*
Pictures Indus., Inc. v. Fung (“*Fung I*”), No. CV 06-5578 SVW (JCX), 2009 WL
 24 6355911 at *11, 15 (C.D. Cal. Dec. 21, 2009) (emphasis added), and that “[n]o
 25 reasonable jury could find otherwise.” *Columbia Pictures Indus., Inc. v. Fung*
 26 (“*Fung II*”), 710 F.3d 1020, 1035 (9th Cir. 2013) (emphasis added). Defendants are
 27 intentional, willful infringers. The many facts found by the Court in support of that
 28

1 conclusion are law of the case, which precludes Defendants from attempting to
 2 reargue or recast these factual findings now. *See, e.g., Ingle v. Circuit City*, 408
 3 F.3d 592, 594 (9th Cir. 2005) (“Under the law of the case doctrine, a court is
 4 generally precluded from reconsidering an issue previously decided by the same
 5 court, or a higher court in the identical case”).

6 Permitting Defendants to challenge these facts at the statutory damages trial
 7 would undermine seven years of litigation and the Court’s prior summary judgment
 8 rulings that Defendants intentionally and willfully induced copyright infringement.
 9 Doing so would also enormously expand and complicate what should be a
 10 straightforward trial on damages. The liability record included voluminous
 11 evidence – from Fung’s admissions, to technical evidence, to statistical analyses. If
 12 Defendants are permitted to “retry” all of the facts established through that
 13 evidence, Plaintiffs will be forced to present substantially all of the same evidence
 14 so that the jury does not get a distorted view of the facts. The evidence presented in
 15 the liability phase was overwhelming. As this Court and the Ninth Circuit found, no
 16 rational jury could view the same evidence and come to different factual findings.⁸

17 Defendants can argue – *from the established facts* – what they will about their
 18 conduct. But the damages trial will end up being a “redo” of the entire liability
 19 proceeding if Defendants are permitted to introduce evidence to contradict the facts
 20 that are already established. At the same time, precluding Defendants from
 21 contradicting the established facts will not prevent Defendants from presenting a
 22 case at trial. Defendants are free to provide testimony on other considerations that

23 ⁸ On September 30, 2013, Plaintiffs filed a motion in limine requesting, *inter alia*,
 24 a ruling that Defendants should be precluded from presenting evidence contrary to
 25 the factual findings and legal rulings that the Court has already made in this case.
 26 *See* Plaintiffs’ Memorandum in Support of Motion In Limine, Sept. 30, 2013, Dkt. #
 27 632, at 3-8. The Court’s ruling on that motion should be dispositive of – or should
 at least significantly inform – the question presented here.

1 they contend should weigh in favor of a lower statutory award – such as the extent
 2 to which Defendants profited from the infringement, the parties' conduct in the
 3 course of the litigation, and whether an award of a particular amount is necessary to
 4 deter them or other potential infringers. However, on the settled issue of their
 5 willfulness, Defendants should not be permitted to present evidence contrary to the
 6 established facts, or otherwise suggest that their conduct was anything but the
 7 purposeful, intentional inducement of infringement that this Court and the Ninth
 8 Circuit have already concluded it was. Accordingly, the jury should be instructed to
 9 consider only the Court's finding of willfulness and the various facts that underpin
 10 that finding.

CONCLUSION

12 For the above reasons, the jury instructions proposed in Exhibit 1 hereto are
 13 appropriate for trial in this case.

14
 15 Dated: October 10, 2013

Respectfully submitted,
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EXHIBIT 1

PLAINTIFFS' PROPOSED JURY INSTRUCTION

3 As I have explained to you, this is a copyright infringement case, and the
4 purpose of this trial is to determine the appropriate amount of damages to be
5 awarded to Plaintiffs as a result of Defendants' inducement of infringement of each
6 of Plaintiffs' works that have been identified to you. Plaintiffs have elected to seek
7 a statutory damage award, established by Congress to permit copyright owners to
8 recover damages within a statutory range instead of either the actual damages
9 suffered by them or any profits of the Defendants that are attributable to the
10 infringement. The purpose of allowing Plaintiffs to elect statutory damages instead
11 of actual damages and profits is to penalize the infringer and deter future violations
12 of the copyright laws.

13 The amount you may award as statutory damages is not less than \$750, nor
14 more than \$150,000, for each work of the works that [you find to have been] [were]
15 infringed. Ordinarily, the maximum amount that could be awarded as statutory
16 damages is \$30,000 for each work infringed. However, because this Court has
17 already found Defendants to have willfully infringed Plaintiffs' copyrights, you are
18 not limited to a maximum of \$30,000 per work infringed and instead are permitted,
19 but are not required, to award statutory damages up to \$150,000 for each work
20 infringed, as you consider just.

Within the monetary limits that I have just described, the statute gives you broad discretion to determine the amount of statutory damages that you find to be just in light of the evidence presented. In deciding what amount is just, you should take into consideration the purposes and factors that I will describe to you.

25 The general purposes of statutory damages include the following:

26 1. Relieving copyright owners of the often difficult burden of
27 proving their actual damages and the defendant's profits;

- 1 2. Providing adequate compensation to the copyright owner and
- 2 disgorgement of the infringer's benefits from infringement;
- 3 3. Deterring the infringer and others similarly situated from future
- 4 infringement; and
- 5 4. Where appropriate, punishing the infringer.

6 Thus, statutory damages are available without proof of plaintiff's actual damages,
 7 defendant's profits, or other direct economic effects of the infringement

8 There are many facts and considerations that could impact your determination
 9 of the amount of statutory damages in a given case. In this case, you are the
 10 ultimate judge of the facts and the appropriate award, within the statutory range.
 11 The following are some of the factors that may help guide your assessment of an
 12 appropriate award and you may consider any or all of them:

- 13 • the fact that Defendants' conduct was willful,
- 14 • the facts on which the Court relied in concluding that Defendants'
- 15 conduct was willful (as I have read them to you),
- 16 • the circumstances and scale of the infringement,
- 17 • the need to deter these Defendants,
- 18 • the need to deter other potential infringers,
- 19 • the nature of the copyright,
- 20 • the litigation conduct of the parties, and
- 21 • the expenses saved and profits earned by Defendants,

23 [If the Court permits the jury to consider Plaintiffs' actual damages, the
 24 instruction should also include the following: "You may or may not hear evidence
 25 from either side as to the actual damages Plaintiffs suffered from Defendants'
 26 infringement. While you are permitted consider the extent to which Plaintiffs do or
 27 do not offer evidence of their actual damages as part of your determination of the

1 appropriate statutory damages award, you are not required to give that factor any
2 particular weight or any weight at all. Because they have elected to accept statutory
3 damages, Plaintiffs are not required to submit any evidence of their actual damages,
4 and you may award statutory damages at any level with the range I've given you
5 whether or not Plaintiffs submit any evidence of actual damages from Defendants'
6 infringement or even if you conclude Plaintiffs have not suffered any actual
7 damages. "]

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9 **Sources:** 17 U.S.C. §504(c); Ninth Circuit Manual of Model Jury Instructions §
10 17.25; American Bar Ass'n, Model Jury Instructions: Copyright, Trademark and
11 Trade Dress Litigation §§ 1.7.4, 1.7.8 (2008); 3B O'Malley, Grenig & Lee, Federal
12 Jury Practice and Instructions §160.92 (5th ed. 2001); *F.W. Woolworth Co. v.*
13 *Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952); *New Form, Inc. v. Tekila Films,*
14 *Inc.*, 357 Fed. Appx. 10, 11-12 (9th Cir. 2009); *Nintendo of Am., Inc. v. Dragon*
15 *Pacific Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994); *Peer Int'l Corp. v. Pausa Records,*
16 *Inc.*, 909 F.2d 1332, 1336-37 (9th Cir. 1990). *Sony BMG Music Ent'mt v.*
17 *Tenenbaum*, 719 F.3d 67, 71-72 (1st Cir. 2013); *Capitol Records, Inc. v. Thomas-*
18 *Rasset*, 692 F.3d 899, 907-10 (8th Cir. 2012).

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